



## **CITY OF SUNNYVALE REPORT Planning Commission**

**October 10, 2005**

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**SUBJECT:**            **City of Sunnyvale Redevelopment Agency** – Adoption of a proposed Amended and Restated Redevelopment Plan for the Central Core Redevelopment Project Area to update the Plan and increase tax increment collection for the plan.

### **REPORT IN BRIEF**

The Redevelopment Plan for the Central Core Redevelopment Project was adopted in 1975. The Redevelopment Agency of the City of Sunnyvale is now proposing to consider a plan amendment to restate the Redevelopment Plan to conform to current redevelopment law and to increase the limit on the total amount of tax increment that the Agency may receive over the term of the Plan. The proposed Amended Plan will provide for sufficient tax increment to make redevelopment of the Town Center Mall feasible, will allow for necessary public improvement projects, and will increase the Redevelopment Agency's ability to repay existing debt obligations. The City Council and Redevelopment Agency will consider approval of the Plan Amendment at a public hearing on October 25, 2005.

A redevelopment plan amendment of this nature must be referred to the Planning Commission for its report on General Plan conformance and its recommendations to the City Council/Redevelopment Agency regarding approval of the amendment.

The Plan Amendment incorporates the City's General Plan land uses and land use standards, as recently amended, into the Redevelopment Plan, and the Plan Amendment would facilitate redevelopment of the Central Core Redevelopment Project in a manner consistent with the General Plan.

Staff recommends that the Planning Commission adopt the attached resolution finding that the proposed Plan amendment conforms to the General Plan and recommending that the City Council adopt the Plan Amendment.

### **BACKGROUND**

The City of Sunnyvale's Redevelopment Project area was first established in 1975 to alleviate the conditions of blight affecting the central business district and adjacent residential and commercial areas. At the time of establishment of the Central Core Redevelopment Plan, there was no limit on the amount of tax

increment that could be collected. It was anticipated that the Agency would receive tax increment throughout the life of the project. However, in 1986 the Plan was amended to conform to SB 690, which set a limit on the amount of tax increment the Redevelopment Agency could receive unless the plan is subsequently amended. On December 23, 1986 (RTC 86-671) Council adopted an ordinance setting \$118 million as the limit. In establishing the \$118 million cap figure, staff tried to anticipate the total amount of funds needed from tax increment to complete the downtown redevelopment project.

The 1986 projection of \$118 million is no longer realistic and did not anticipate the redevelopment of the Town Center Mall nor the redevelopment of Town and Country Village. It is anticipated that the Agency will reach the tax increment cap in FY 2014/2015 considering only the Mall development. This is 13 years before the end of the project. If the cap is not increased, the Agency would be in a position to lose \$116 million in tax increment revenues and the redevelopment of the blighted Town Center Mall area will be jeopardized.

The Sunnyvale Redevelopment Agency is preparing the Plan Amendment to the Sunnyvale Central Core Redevelopment Plan for consideration by the City Council/Redevelopment Agency in order to update the plan to conform to current redevelopment law and to increase the limit on the total amount of tax increment that the Agency may receive over the term of the Redevelopment Plan.

On May 17, 2005 the Redevelopment Agency (RDA 05-007) took the first step in the process by adopting a resolution authorizing staff to distribute the Draft Amended and Restated Plan and Preliminary Report to all affected taxing entities, the City Council, and various other interested persons and entities as required by law. The Preliminary Report provided background information to the Agency and taxing entities affected by the proposed Plan Amendment. Agency staff distributed the completed Preliminary Report on July 8, 2005 to allow for the mandatory 90 day review process.

On September 13, 2005, the Sunnyvale City Council and the Redevelopment Agency authorized a joint public hearing of the Council/Agency to be held on October 25, 2005 to consider adoption of the proposed amendment.

On September 14, 2005 staff mailed out notices of the joint public hearing by first class mail to all property owners, business owners and tenants in the Redevelopment Area and by certified mail to all taxing entities.

Staff conducted a community meeting on October 3, 2005, in order to explain the proposed amendment to concerned property owners, business owners and tenants and answer questions that they might have.

## **EXISTING POLICY**

The Redevelopment Implementation Plan states:

Goal 1 - *Meet the Agency's Existing Financial and Administrative Obligations.*

Goal 2 - *Establish the downtown as the cultural, retail, financial and entertainment center of the community, complemented by employment, housing and transit opportunities.*

The Fiscal Management Sub-Element 7.1C.1C.4 states: *Tax Increment – For improvements required to increase future tax base and where rehabilitation or redevelopment is required.*

## **DISCUSSION**

The main purpose of the proposed Amended Plan will be to provide the Agency with additional financial resources to alleviate remaining blight conditions in the Project Area and complete eligible projects such as the Town Center Mall redevelopment.

To effectively continue to implement redevelopment activities and alleviate blighting conditions within the Project Area, an amendment to the Redevelopment Plan is necessary and appropriate to increase the total amount of tax increment that can be collected over the term of the Plan or the plan will end prematurely and before the Agency can complete blight alleviation activities.

The second purpose of the Amended Plan is to restate, in its entirety, the Central Core Redevelopment Plan initially adopted by the City Council in 1975. The restated Redevelopment Plan will update and conform the Plan to meet current redevelopment law, and incorporate the past seven amendments into the Plan. The plan has been prepared by the Redevelopment Agency pursuant to the Community Redevelopment Law of the State of California, and will not change the Redevelopment Project Area, or grant any different authority to the Agency.

California Redevelopment Law requires that a joint public hearing of the City Council and Redevelopment Agency be conducted in order to approve a plan amendment. It is required that a Legal Notice of the hearing is published once a week for four successive weeks prior to the public hearing. A copy of the Notice was sent to each property owner in the Redevelopment Project Area as shown on the last assessment roll and a copy of the Notice was sent to each occupant of each address in the Redevelopment Area, thereby providing

additional notice to businesses and residents in the Project Area. Additionally, a copy of the Notice was sent to all of the appropriate taxing entities by certified mail.

A redevelopment plan amendment of this nature must be referred to the Planning Commission for its report on General Plan conformance and its recommendations to the City Council/Redevelopment Agency regarding approval of the amendment.

The Plan Amendment incorporates the City's General Plan land uses and land use standards, as recently amended, into the Redevelopment Plan, and the Plan Amendment would facilitate redevelopment of the Central Core Redevelopment Project in a manner consistent with the General Plan.

### **ENVIRONMENTAL REVIEW**

As part of the Downtown Improvement Program Update, the City prepared a Program Environmental Impact Report ("the Program EIR") pursuant to the California Environmental Quality Act ("CEQA") to consider and analyze the environmental impacts related to the Project, including adoption of amendments to the Land Use and Transportation Element of the General Plan, the Downtown Specific Plan and the Zoning Code. The Program EIR was certified by the Council at its June 17, 2003 meeting (Resolution No.123-03), where Council found that it presented an adequate assessment of the environmental impacts of the Project, and adopted a statement of overriding considerations, and adopted a mitigation monitoring program. The City has prepared an addendum to the Program EIR, dated June 25, 2004, to assist in the City's review of the Town Center Mall portion of the Project (the "Addendum"). The Addendum found there was no need to prepare a subsequent environmental impact report under CEQA guidelines Section 15162. Likewise, the proposed amendments to the Redevelopment Plan are components of and consistent with the Project analyzed in the Program EIR and the Addendum. Since the time the Addendum was prepared, there have been no changes to the environment or the project and no new information has become available which would require additional environmental review under CEQA Guidelines Section 15162. The Redevelopment Plan Amendment is subject to the Mitigation Monitoring Program adopted by the Council for the Project.

### **FISCAL IMPACT**

The Agency had previously appropriated \$135,000 for the Redevelopment Plan Amendment project for consulting fees, legal fees, noticing costs, and other

related costs (August 12, 2003, RDA 03-007/Project No. 824430); \$96,695 has been spent through FY 2004/2005. The remaining budget of \$38,305 will be carried over to FY 2005/2006 to complete the project.

If the proposed amendment is ultimately adopted, it is estimated that the Agency will realize \$116 million in additional tax increment revenue over the life of the project considering only the Mall development, and considerably more if the Town and Country and other projects are redeveloped. The Additional Tax Increment that the agency receives as a result of the increase in the Tax Increment cap will be used to pay cost associated with the redevelopment of the Town Center Mall, primarily to replace the now closed public parking. If the tax increment cap is not raised, the Agency will not be legally able to make scheduled debt service payments to the City after reaching the existing cap on or about FY 2014/2015. It is projected that approximately \$80 million in outstanding loans to the City General Fund and approximately \$5 million in outstanding bonded indebtedness would remain unpaid at that time.

## **CONCLUSION**

The proposed Amended Plan will enable the Redevelopment Agency to implement the goals of the Redevelopment Plan and to alleviate significant remaining blight with the Project Area and should have a positive financial impact on the Redevelopment Project area and those properties located within the Project Area. The Amended Plan will be in conformance with the City's General Plan, and will specifically provide that the City's General Plan, Downtown Specific Plan and Zoning Ordinance will be the governing land use documents for the Plan, as they currently exist and may be amended in the future.

## **PUBLIC CONTACT**

Public contact was made through posting of the Commission agenda on the City's official notice bulletin board, posting of the agenda and report on the City's web page and the availability of the report in the Library and the City Clerk's Office.

## **ALTERNATIVES**

1. Adopt the attached resolution finding that the proposed Plan amendment conforms to the General Plan and recommending that the City Council adopt the Plan Amendment.
2. Do not adopt the attached resolution.

**RECOMMENDATION**

Staff recommends that the Planning Commission approve Alternative #1.

The Amended Plan is consistent with the General Plan and the vision for revitalization of the Project Area. The Amended Plan will provide for sufficient tax increment to make redevelopment of the blighted Town Center Mall feasible. In addition, it allows for future necessary public improvements, such as street improvements and public parking. It will also permit the Agency to repay approximately an additional \$65 million of debt to the General Fund, and would facilitate redevelopment of the Project Area as envisioned in the General Plan.

Reviewed by:

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Reviewed by:

Mary Bradley  
Director, Finance

Approved by:

Amy Chan  
City Manager

**Attachments**

- A. Amended and Restated Redevelopment Plan.
- B. Resolution of the Planning Commission.